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ARIZONA CORPORATION COMMISSION  
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**BEFORE THE ARIZONA CORPORATION COMMISSION**

IN THE MATTER OF THE COMPLAINT  
OF STEVE PRAHIN,

Complainant,

v.

PAYSON WATER COMPANY,

Respondent.

DOCKET NO: W-03514A-07-0386

IN THE MATTER OF THE COMPLAINT  
OF REBECCA SIGETI,

Complainant,

v.

PAYSON WATER COMPANY,

Respondent.

DOCKET NO: W-03514A-08-0047

**RESPONSE TO STAFF REPORT**

Payson Water Company ("Payson Water" or "Company") hereby submits this Response to the Staff Report filed on September 24, 2009 ("Response") in the above-captioned matters. For reasons more fully addressed below, the Company continues to assert that the installation of a second 10,000 storage tank is not warranted at this time. Staff's recommendation for the Company to install a second 10,000 gallon storage tank is predicated on "previous water production problems" that, Staff alleges, warrants requiring storage capacity in excess of Arizona Department of Environmental Quality ("ADEQ") minimum standards. Staff Report at 3. However, the Company has already addressed "previous water production problems" by reconditioning the Elusive Acres well and

1 Geronimo Estates Well #1, and installing the first 10,000 gallon storage tank and a 5-  
2 Horsepower booster pump at Geronimo Estates Well #2 well site. Based on these  
3 improvements, Staff determined that if the current moratorium is lifted, the Company  
4 would be able to add 37 new service connections.

5 The contradiction in these two conclusions is clear; either Payson Water has  
6 sufficient water production and storage capacity to serve existing customers and 37 new  
7 interconnections, or it does not. According to ADEQ, the Company has sufficient storage  
8 capacity. The Complainants in this matter sought relief for what they perceived to be  
9 water storage issues. The Company has responded by increasing water production to the  
10 best of its ability, and installing the first 10,000 gallon tank to increase storage capacity  
11 from 15,000 gallons to 25,000 gallons. Adding an additional 10,000 gallons of storage at  
12 this time would be to address future needs (beyond the additional 37 customers) in the  
13 event the current moratorium is lifted. Given the state of the housing market, it is not  
14 known when the need will materialize, if at all. It would be unfair to the Company's  
15 existing customers to shoulder this long-term financial impact, and unfair to the Payson  
16 Water for the Commission to later determine that the 10,000 gallon tank is not "used and  
17 useful."


18 Therefore, if the Commission chooses to adopt Staff's recommendation and order  
19 the Company to install the second 10,000 gallon tank despite compliance with ADEQ  
20 standards, then the Commission must also recognize in its order that the plant is being  
21 installed to serve existing and future customers, and therefore will receive favorable rate  
22 base treatment in the Company's next rate proceeding.

23 Finally, the Company agrees with Staff's recommendation to file Approvals of  
24 Construction ("AOCs") for the system improvements at the Geronimo Estates well sites.  
25 The Company will file all AOCs once they are received from ADEQ. In the interest of all  
26 parties involved, Payson Water respectfully asserts that there is no need for further

1 hearings or procedural conferences in this matter, and that the Commission move towards  
2 a conclusion and final resolution of the Complaint.

3 RESPECTFULLY SUBMITTED this 9th day of October, 2009.

4 FENNEMORE CRAIG, P.C.

5  
6 By   
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10 **ORIGINAL** and fifteen (15) copies  
11 of the foregoing filed this 9th day of October, 2009:

12 Docket Control  
13 Arizona Corporation Commission  
14 1200 W. Washington St.  
Phoenix, AZ 85007

15 **Copy of the foregoing hand delivered**  
16 this 9th day of October, 2009 to:

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18 Assistant Chief Administrative Law Judge  
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20 Kevin O. Torrey, Counsel  
21 Legal Division  
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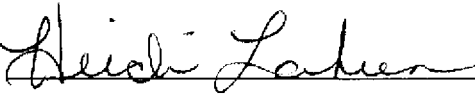
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1 **Copy of the foregoing mailed**  
2 this 9th day of March, 2009 to:

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